

United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240

ARD/RB
Mail Stop 3132

OCT - 1 1997

Dear Payor:

The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA), signed into law on August 13, 1996, requires the Minerals Management Service (MMS) to pay interest on Federal oil and gas royalty overpayments. The RSFA also allows royalty reporters to calculate interest on royalties and to report this interest on the Report of Sales and Royalty Remittance (Form MMS-2014). The Office of Management and Budget (OMB) approval for this form was renewed on May 2, 1995 (OMB control number 1010-0022).

This reporting option applies solely to Federal oil and gas leases for sales months January 1997 and later. You may begin reporting interest on overpayments and underpayment on your Form MMS-2014 for the October 1997 report month. The following information explains the interest calculations and reporting requirements if you choose to report interest.

Am I required to report interest to MMS?

- No. If you do not report interest on your Form MMS-2014, MMS will assume you have determined interest reporting to be a hardship for your company.
- If you do not report interest, MMS will compute interest and notify you of any interest owed to you or to MMS on an interest statement.

What are the general interest reporting requirements?

- If you report interest, you must report interest for underpayments as well as for overpayments on the same Form MMS-2014 that you use to report the related adjusting royalty report lines.
- We will verify reported interest, reconcile discrepancies, and notify you of differences on an interest statement.
- You may not adjust a previously reported interest line. Our verification process and interest statement will make adjustments unnecessary.

- Cross-lease netting, established to allow interest free adjustments to correct reporting from one lease to another, maybe used only for sales months prior to January 1997. The new RSFA interest computations eliminate the need for cross-lease netting.
- MMS will not pay interest on excessive overpayments. We will send separate instructions concerning this limitation.

Which fields and what special reporting requirements apply to the detail line for interest on Form MMS-2014?

- You must report the accounting identification (AID) number, sales month, transaction code (TC), adjustment reason code (ARC) when applicable, royalty value, and payment method.
- Use TC 21 if you owe MMS interest and report a positive amount in the royalty value field; use TC 22 if MMS owes you interest and report a negative amount in the royalty value field.
- The sales month must be January 1997 or later.
- Report ARC 71 if the interest is related to an estimate.
- Report ARC 72 if the interest is related to an audit. This ARC must be used when interest applies to overpayments or underpayment discovered during an audit and you choose to report interest payments or recoupments on the Form MMS-2014.
- For all other interest report lines, use either zeros or spaces for the ARC.
- ARC 71 and 72 may not be reported with any other TCs.

To assist you, Enclosure 1 illustrates interest reporting examples.

How do I compute the interest I owe MMS or MMS owes me?

- Both rates are compounded daily. For interest you owe MMS, calculate that interest from the due date of the sales **month** to the date we receive your payment. For interest MMS owes you, calculate that interest from the due date of the sales month, without regard to an extended due date because of an estimate, to the date we receive your Form MMS-2014 recouping the overpayment. Use the rates established by the Internal Revenue Code referenced in Enclosure 2. The overpayment interest rate is currently 1 percentage point less than the underpayment interest rate.

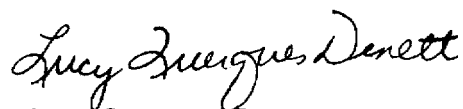
- The Interest Rate Table in Enclosure 2 is updated quarterly on MMS's website at <http://www.mms.gov>. You may also call us at 1-800-433-9801 to obtain a copy.

Paperwork Reduction Act Statement

The Paperwork Reduction Act of 1995 requires us to inform you of the following: This information is being collected to document reporting of interest on overpayments and underpayment of royalty on Form MMS-2014, Report of Sales and Royalty Remittance. Public reporting burden for calculating and reporting interest information is voluntary and is estimated to increase for 100 respondents by an average of one-half hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form including suggestions for reducing this burden to the Information Collection Clearance Officer, Mail Stop 4230, Minerals Management Service, 1849 C Street, NW, Washington, D.C. 20240, and the Office of Management and Budget, Office of Information and Regulatory Affairs, Attention: Desk Officer of the Department of the Interior (OMB Control Number 1010-0022), Washington, D.C. 20503. An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

If you have interest calculation questions, please call your Financial Compliance Branch representative at 1-800-433-9801. If you have reporting questions, please call your royalty reporting representative at 1-800-525-0309.

Sincerely,



Lucy Querques Denett
Associate Director for
Royalty Management

Enclosures

U.S. DEPARTMENT OF THE INTERIOR MINERALS MANAGEMENT SERVICE ROYALTY MANAGEMENT PROGRAM				
Rates Used to Calculate Interest				
Late Payments and Underpayments				Overpayments
Period	Indian Leases	Solid Mineral and Geothermal Leases	Federal Oil and Gas Leases	Federal Oil and Gas Leases
01-01-97 thru 03-31-97	9.0%	9.0%	9.0%	8.0%
04-01-97 thru 06-30-97	9.0%	9.0%	9.0%	8.0%
07-01-97 thru 09-30-97	9.0%	9.0%	9.0%	8.0%